

Lance Gotthoffer  
First Affidavit  
Applicant  
Exhibits LG-1 and LG-2  
7 December 2007

**IN THE GRAND COURT OF THE CAYMAN ISLANDS**

**CAUSE NO. 551 of 2007**

**IN THE MATTER OF THE COMPANIES LAW (2007 REVISION)**

**AND IN THE MATTER OF BEAR STEARNS HIGH-GRADE  
STRUCTURED CREDIT STRATEGIES ENHANCED LEVERAGE  
(OVERSEAS) LTD. (IN VOLUNTARY LIQUIDATION)**

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**EXHIBIT "LG-2"**

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This is the Exhibit marked "LG-2" referred to in the Affidavit of Lance Gotthoffer sworn to before me this 7<sup>th</sup> day of December 2007.

  
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Notary Public

ALICIA C. THANASOULIS  
Notary Public, State of New York  
No. 02TH6063962  
Qualified in New York County  
Commission Expires September 10, 2009



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**Via email**

30 November 2007

Appleby  
Clifton House  
75 Fort Street  
PO Box 190  
Grand Cayman KY1-1104  
Cayman Islands

Attention: Jeremy Walton

Dear Sirs

**Subject: Bear Stearns High-Grade Structured Credit Strategies Enhanced Leverage  
(Overseas) Ltd. (in voluntary liquidation)**

Further to our recent discussion, we confirm that we are willing and able to accept the appointment as liquidator (voluntary, official or otherwise) to the above named entity.

In respect of such appointment, please find attached CV's for both myself and William Cleghorn, who will be the named liquidators.

Should you have any questions or comments, please do not hesitate to contact the writer.

Kind regards,

Geoff Varga  
Member

Enclosure.

## Professional Qualifications

Geoffrey Varga CA CIRP

Member

December 2007

### Background

Senior member of Kinetic Partners' Corporate Recovery and Forensic practice and managing partner of Kinetic Partners' Cayman office.

Previously was Vice President within the Business Recovery Services practice of PwC.

Over 13 years of public practice experience, with a focus in the areas of financial restructurings and insolvency. Experience has been gained in the Cayman Islands, Canada and New Zealand.

### Education and Professional Affiliations

- Bachelor of Commerce (Honours) 1991 – Queen's University (Kingston, ON)
- Member of the Canadian Institute of Chartered Accountants 1994 (CA / CA CIRP)
- Member of the Canadian Association of Insolvency & Restructuring Professionals (CIRP)
- Licensed Trustee in Bankruptcy

### Areas of Specialization

Advised lenders and other stakeholders on financial restructuring matters in respect of a variety of businesses across varying industries.

Completed viability assessments and confidential monitoring of companies in financial distress and have advised both companies and lenders with respect to restructuring and/or recovery alternatives.

In undertaking formal appointments, have acted as Liquidator, Monitor under the Companies Creditors Arrangement Act (CCAA), Receiver and Manager, Trustee in Bankruptcy, and Agent (under a power of attorney) of a variety of businesses. In some instances, businesses were actively managed for an extended period of time in order to effect a sale as a going concern or maintain a controlled wind-down.

### Professional Experience

The following are brief descriptions of professional engagement experiences:

- **SPhinX Strategy Fund Ltd.** – Provisional liquidator of a Cayman hedge fund pending the hearing of a winding up petition. Actions taken included a preliminary review of the status of the entity and filing of Chapter 15 application in an attempt to see recognition in the US courts
- **Security Capital Ltd. / First Dallas International Ltd.** – voluntary liquidator of two private investment vehicles that have been named in a US Senate report on tax haven abuse.
- Have and continue to act as voluntary liquidator to a number of Cayman domiciled entities and hedge funds. In certain situations, the role has involved investigations into past dealings of the entities, assessment of recovery options and distribution of assets.
- **Bresea Resources Ltd / Bro-X Minerals Ltd.** – Court appointed Interim Receiver of an overseas mining companies named as co-defendant in the \$US3 billion Bre-X fraud; duties included the investigation of past company activity, statutory reporting, realization of assets, assisting defense counsel against numerous legal proceedings, and development of an exit strategy for the company (including settlement of a Canadian/US class action and fend-off of a hostile takeover bid).
- **Probe Exploration Inc.** – Court appointed Receiver and Manager of a 5,000 barrel per day oil and gas producer; actively maintained operations of the company for over 2 years pending a sale; other key aspects of the assignment included the implementation of a +\$40MM capital program, the assessment and resolution of priority claimants, negotiation of material processing and development

contracts, review and handling of material environmental issues, dealings with regulatory bodies and negotiations with prospective purchasers.

- **Newhaven Media Group** – dual agency appointment of Receiver-Manager and Trustee of a pre-post and media operation including print, film and web page design; operations directly managed for an extended period pending sale of business; resolution of employee issues and priority claimants.
- Conducted a confidential business review (including assessments of financial operations and projections, estimated security position and restructuring alternatives) of a privately-owned conglomerate, including extensive truck hauling operations, a chemical technology division and a hazardous waste handling company; restructuring and refinancing advice provided to both the company and its lender.
- Acted as Agent and Receiver-Manager to a Canadian Chartered Bank in respect of the disposition of certain Venezuelan and Indonesian oil and gas concessions.
- **First Investments Ltd.** (Auckland, New Zealand) – Acted as Receiver-Manager of multi-million dollar residential property development company; aspects of the assignment included the completion of several multiunit condominium and commercial developments and fraud and embezzlement investigations regarding the principal.
- **Tradewinds Hotels** (Auckland, New Zealand) – Court appointed Liquidator of a 90 bedroom CBD hotel in Auckland; operations maintained for an extended period pending sale of the business.
- **Pacific Capital Assets** (Auckland, NZ) – Completed indepth due diligence and assisted in the preparation of a +\$100 million IPO for the purposes of initiating a multi-billion dollar

infrastructure development in Auckland's CBD.

- Assisted in a number of NZ compulsory liquidations requiring both the identification and recovery of assets and the investigation and pursuit of fraudulent business activity.

### **Speaking Engagements/Practice Development**

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Have provided seminars and presentations for numerous groups on various topics including:

- Corporate Decline – Causes and Early Warning Signals
- Bankruptcy and Insolvency Issues
- Default to Recovery in a Secured Creditor context
- The Role of the Monitor, Chief Restructuring Officer and Financial Advisors in CCAA
- Environmental Liability in the Oil and Gas Industry
- Priorities of Statutory Claimants in the Oil & Gas Industry
- The role of the Chartered Business Valuator (CBV) in an Insolvency Context

### **Contact Details**

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## Curriculum Vitae

**Name:**

**William (Bill) Thomson Mercer Cleghorn MBE**

**Title:**

**Member**

**Professional Qualifications:**

Member Institute of Chartered Accountants of Scotland  
Insolvency Licence Holder and Fellow of the Association of Business Recovery Professionals

**Career Summary**

**May 2006 to date**

Member (Partner) Kinetic Partners LLP responsible for Financial Crime Investigations and Corporate Recovery

**October 2001 to May 2006**

Partner RSM Robson Rhodes, Corporate Recovery and Forensic Investigations

**May 1998 to September 2001**

Partner, PricewaterhouseCoopers, Forensic Services based in London. Responsible for UK Fraud Investigation Practice until July 2000 and latterly Northern Ireland Forensic Services practice

**1983 to April 1998**

Senior Manager, latterly Partner (1987), Business Recovery and Forensic Services, Deloitte Haskins + Sells/Coopers and Lybrand/PricewaterhouseCoopers, Edinburgh and Newcastle

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**Experience**

In Bill's role as an Licensed Insolvency Practitioner, he has been responsible for both corporate and personal insolvency. By its very nature this has involved asset tracing, both in the UK and overseas. Since moving to a combined corporate recovery and forensic role he become more involved in investigative matters, but still retains his insolvency licence and continues to take appointments, particularly involving overseas or complex issues.

Over the years, Bill has dealt with all forms of insolvency procedure, ranging from personal cases to trading companies both in the UK, Isle of Man, Cayman(as below) and the Republic of Ireland.

In addition he has given expert evidence in civil and criminal matters at Courts both in the UK and abroad in respect of both insolvency and forensic cases.

**Major assignments:**

**Polly Peck International plc**

Working in Northern Cyprus in securing sales of assets for the Administrators. As the assets in question remained under the control of Asil Nadir, the former director who had fled from the UK to Northern Cyprus, this involved considerable negotiation with the Northern Cyprus Government at the highest level, as well as the eventual purchasers. Additionally a number of court appearances were required by Bill at which he gave evidence in relation to legal actions raised either by or against the



administrators.

### **Princeton Economic Investments Limited**

While not one of the appointees, Bill was involved in this complex liquidation while a partner in PwC, involving assets in Hong Kong, the Turks and Cacaos Islands the US and Japan, and spent time in Hong Kong in the initial stages of the assignment in relation to tracing substantial funds transfers through Hong Kong from Japan to the US. He was also involved in high level meetings with the US Receiver of one of the entities involved.

### **Project Soil**

This is a liquidation where a potentially valuable asset has been sold to a close relative of the Director, and where the Director has now been shown to have removed substantial funds which has been used for personal benefit. This has involved tracing funds to overseas jurisdictions. While at an early stage it is likely that this will result in Court action.

### **HM Revenue and Customs**

Bill is involved as Liquidator in a number of MTIC (Missing Trader Inter Community) provisional liquidations, involving tracing funds defrauded from HM Revenue and Customs and bringing recovery actions against the companies or individuals holding the funds where those funds have been successfully frozen. Again the tracing involves overseas entities.

In other non MTiC cases Bill is appointed where there appears to be evidence of fraud or misfeasance by the Directors and again many of these cases require asset tracing.

### **3R Fund Grand Cayman**

Bill was one of the Joint Liquidators of 3R and an associated company, two Cayman registered funds, one of which involved further investigation following appointment. These cases gave Bill a working knowledge of Cayman insolvency legislation, the requirements of the Cayman Islands Monetary Association and the Cayman Courts.

### **FCS Funds BVI**

Bill was also Joint Administrator of the above funds of which there were three, all registered in the BVI, where the Fund Manager had been imprisoned in the UK for fraudulent activities in relation to the funds. These also required investigation following appointment.

### **Money Laundering Investigations**

Bill has carried out a number of money laundering investigations, the majority of were for The Police Service of Northern Ireland (formerly the Royal Ulster Constabulary), the precise details of which cannot be disclosed.

In November 2002, Bill acted as the expert for an individual charged with money laundering and gave evidence in the High Court, Glasgow. Following the not guilty verdict in relation to the money laundering, the individual's solicitor was also found not guilty of a related offence.

During 2004 Bill and a colleague were engaged by one of the defendants in a major money laundering trial in Grand Cayman, and spent some time there in the summer of 2004, hearing the prosecution expert's evidence, and reviewing this for the defence team. In this respect Bill worked closely with Counsel in Cayman. For reasons unconnected with the report prepared for the defendant, no expert forensic accounting evidence was subsequently led.

At the date of this CV a major money laundering investigation is being carried out for Northumbria Police in the UK.

### **Offshore Financial Investigation Unit**

Bill is also working closely with an offshore Financial Investigation Unit that receives suspicious





activity reports submitted by financial institutions.

Where these reports are of a complex nature, and involve trust structures or other complex financial vehicles, they are examined by Bill and a colleague, and a report prepared for the Unit setting out further information required or other areas of investigation.

In addition to this reports were prepared for Customs and Immigration Unit of this jurisdiction, on two money laundering cases being investigated by that unit, and where in one case the evidence was such that the individual is now serving a custodial sentence, and in the other the individual, who was already serving a lengthy custodial sentence for drug trafficking, has had a substantial criminal confiscation order sanctioned by the Court.

This work has allowed a valuable insight into offshore jurisdictions, the use of offshore trusts and other complex financial structures.

#### **The Government of Albania Public Fund Raising Schemes (Pyramids)**

From May to December 1998, Bill was lead partner in Albania on an investigation funded by various donor countries through the World Bank, into 12 pyramid schemes which collapsed in 1996 with subsequent serious civil unrest in Albania. This work involved leading a team of ten UK based staff and around 40 local Albanian staff who were recruited specifically for the assignment. Much of the work involved the re-creation of bank accounts of the various pyramid schemes to try and establish the extent of funds illegally removed.

As the assignment was for the Government of Albania, regular meetings were held with both senior civil servants and members of the Government including the Deputy Prime Minister, Minister of Finance and his deputy.

#### **Scottish Charities Office (now the Office of the Scottish Charity Regulator)**

For a number of years Bill has been appointed by Scottish Charities Office in respect of charities where there is either proof or allegations of misfeasance by the Trustees/Directors and where he has been required to take control of the assets of the charity and to deal with day to day issues arising subsequent to appointment.

This has often involved carrying out a subsequent forensic investigation into the causes of the collapse, as well as trying to deal with "live" issues on a day to day basis.

In two cases the ultimate disposal of the assets of the charity have been by virtue of the liquidation of the charitable company, where it has been possible for Bill to continue to act as a result of being a licensed insolvency practitioner.

#### **Public Funds Corruption Investigation**

This assignment, involving the misuse of public funds was carried out for a large local authority, and in conjunction with the Public Corruption Unit of the Metropolitan Police.

#### **British Museum**

In late 1999 Bill lead a small team investigating the allegations surrounding the substitution of stone in the new South Portico at The British Museum.

#### **Department of Trade & Industry**

Bill was engaged by the Insolvency Service, Directors' Disqualification Unit, as the expert on disqualification actions of non - executive directors of three separate companies which have gone into receivership. In one case in particular a lengthy period of exclusion as a director and a substantial fine was awarded by the Court.

In addition until 21 June 2006 for around nine months he acted as Provisional Liquidator of two companies based in Scotland under Public Interest Petitions by the Secretary of State for Trade and



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Industry. This involved control of the finances and other aspects of the companies, until the Scottish Court was satisfied by undertakings given by the Directors to allow the companies to be returned to their control.

### Scottish Civil Recovery Unit

Bill was appointed as Interim Administrator on three cases under the Proceeds of Crime Act 2002, all of which are still ongoing. All three cases involve asset tracing.

### Assets Recovery Agency

Bill has carried out an assignment in respect of the taxation powers of the Assets Recovery Agency, where an expert report was prepared and was the basis of settlement on that case and a subsequent one unconnected with the report.

### Employee Frauds

In 2006 Bill carried out an investigation into embezzlement of funds by an employee of an accounting partnership, as a result of which all funds were recovered, and the employee given a of 30 month custodial sentence.

At the date of this cv, a further similar investigation is underway for another firm of accountants.

### Other relevant experience

During his career, Bill has also carried out a large number of forensic accounting investigations, both of a criminal and civil nature.

These have included:

- investigating fraudulent Development Grant Claims allegedly made by an Company to the Department of Trade & Industry. Following submission of the Report the prosecution offered no evidence, and the case was dismissed.
- Acting as expert for the Department of Trade & Industry in the prosecution of a Chartered Accountant and Insolvency Practitioner, who had misappropriated the assets from insolvency cases being administered by him.
- investigating the affairs of a UK Government-financed organisation following allegations of corruption against the Chief Executive of that organisation, following which the Chief Executive resigned;
- on behalf of the overseas shareholders of a company located in Scotland investigating allegations of theft and misfeasance against the Chief Executive of the company;
- at the request of the Board of Directors of a large UK-based ship repairing company, investigating allegations against the Managing Director of misappropriation of funds;
- investigating on behalf a Scottish Police Force the embezzlement of funds by the employee of an insurance broker. This has also involved the creation of records to determine the extent of the fraud. Subsequent to the submission of the Report, Bill gave expert evidence on behalf of the Crown at the trial.
- investigating the results of an anonymous letter alleging corruption at a large chemical site in the UK as a result of which a number of employees were dismissed, and contractors were removed.
- Preparing on behalf of the Metropolitan Police Authority, an expert report in respect of the embezzlement of funds by an employee at a solicitor's practice, in response to a report on behalf of the accused by another firm of forensic accountants. This report was requested and prepared at short notice over a period of two days in order to be lodged in Court. Following a guilty verdict,





the MPA commented on the benefit which had been obtained from the work undertaken in challenging the defence expert's opinion.

### **Lecturing**

Bill has also lectured extensively on both fraud related issues and money laundering. In addition to the UK, he presented papers at the Third Hemispheric Conference on Money Laundering in Panama in 1999, at The Ifex/EnCambia Money Laundering and Cybercrime Convention in Caracas, Venezuela in 2001 and in 2005 at the George Mason University School of Law in Washington DC.

Since the introduction of the Proceed of Crime Act 2002, and the Money Laundering Regulations 2003, Bill has lectured on the subject both for the Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland.

Bill and a senior colleague also provide training to Financial Investigators on behalf of the Assets Recovery Agency Centre of Excellence.

For a number of years, Bill lectured on Money Laundering at The Scottish Police College.

Bill is a Director and Trustee of the Fraud Advisory Panel, and has also a member of the Steering Group of the newly formed London Fraud Forum.

In 1995 Bill was awarded the MBE.

Bill was also awarded the Queen's Golden Jubilee medal, in recognition of thirty six years service in Lothian & Borders Special Constabulary.